

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 6061

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EO 11652: NA

TAGS: EINV, EMIN, PE

SUBJ: GOP TO EXPROPRIATE MARCONA

REF: LIMA 5831

1. INTERIOR MINISTER RICHTER (ACTING FOREIGN MINISTER IN DE LA FLOR'S ABSENCE) TOOK AMBASSADOR ASIDE AT SOCIAL FINCTION LAST NIGHT (JULY 23) AND TOLD HIM THAT PRESIDENT VELASCO HAS ASKED HIM TO ADVISE AMBASSADOR THAT GOP INTENDS TO EXPROPRIATE MARCONA ON JULY 25. RICHTER SAID THAT PRESIDENT VELASCO HAD NOT WANTED THE AMBASSADOR TO BE TAKEN BY SURPRISE AND ASSURED HIM THAT THE EXPROPRIATION WOULD BE CARRIED OUT IN ACCORDANCE WITH LAW. RICHTER TOLD THE AMBASSADOR THAT IT IS PERU'S INTENTION TO CONTINUE NEGOTIATIONS WITH MARCONA FOLLOWING THE EXPROPRIATION. NOTING THAT THE FOREIGN MINISTRY WAS FULLY AWARE OF THE MATTER, RICHTER EXPRESSED SURPRISE THAT SECRETARY GENERAL GARCIA BEDOYA HAD NOT MENTIONED THE SUBJECT TO THE AMBASSADOR DURING THE LATTER'S CALL ON HIM AFTERNOON JULY 23.

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2. AMBASSADOR CALLED ON GARCIA BEDOYA THIS MORNING (JULY 24) TO EXPRESS CONCERN AT THIS IMPENDING ACTION AND TO NOTE THAT THE USG WOULD EXPECT MARCONA TO RECEIVE PROMPT AND ADEQUATE COMPENSATION. GARCIA BEDOYA UNDERSTOOD (AND APPEARED TO SHARE) THE AMBASSADOR'S CONCERN. HE SUGGESTED THAT IT WOULD BE DESIRABLE FOR THE AMBASSADOR TO ADDRESS A LETTER TO PRESIDENT VELASCO EXPRESSING APPRECIATION FOR THE ADVANCE NOTIFICATION AND THE ASSURANCE THAT THE EXPROPRIATION WOULD BE CARRIED OUT IN ACCORDANCE WITH LAW. LETTER SHOULD ALSO NOTE IMPROVEMENT OF RELATIONS BETWEEN TWO GOVERNMENTS (GREENE SETTLEMENT AND CIVIL AIR AGREEMENT) AND THAT GOOD RELATIONS COULD BEST BE MAINTAINED THROUGH THE NEGOTIATION OF A MUTUALLY SATISFACTORY AGREEMENT BETWEEN THE GOP AND MARCONA. LETTER SHOULD CONCLUDE BY OPERRING GOOD OFFICES OF EMBASSY. AMBASSADOR SAID HE THOUGHT SUCH LETTER OUGHT MORE APPROPRIATELY BE DIRECTED TO ACTING FOREIGN MINISTER RICHTER, TO WHICH GARCIA BEDOYA AGREED, URGING THAT LETTER BE DELIVERED TODAY FOR MAXIMUM EFFECTIVENESS. AMBASSADOR SAID HE WOULD DO SO, BUT IN MEANTIME URGED GARCIA BEDOYA TO CONVEY TO RICHTER SUBSTANCE OF CONVERSATION AND AMBASSADOR'S CONCERN.

3. GARCIA BEDOYA ALSO TOLD THE AMBASSADOR THAT ANNOUNCEMENT OF EXPROPRIATION WOULD BE MADE BY MINES MINISTER FERNANDEZ MALDONADO IN TELEVISED SPEECH TONIGHT AT 8:00 P.M. HE SAID SPEECH WILL BE "QUITE STRONG" AND WILL EMPHASIZE MARCONA'S NONPAYMENT OF TAXES, THE AMOUNT OF WHICH WILL BE TAKEN INTO ACCOUNT IN DETERMINING THE LEVEL OF COMPENSATION. AMBASSADOR RESPONDED THAT HE WAS FULLY AWARE OF THIS PROBLEM AND THAT IT WAS HIS UNDERSTANDING THAT THE LEVEL OF MARCONA'S TAXES AND COMMISSIONS HAD ALWAYS BEEN DETERMINED IN STRICT ACCORDANCE WITH PERUVIAN LAW. AMBASSADOR NOTED THAT IN ANY CASE THIS WAS PROBLEM THAT SHOULD HAVE BEEN WORKED OUT IN ADVANCE; THE SUCCESSFUL RESOLUTION OF DIFFERENCES ALWAYS REQUIRES MUTUALLY SATISFACTORY AGREEMENT BETWEEN TWO SIDES. AMBASSADOR ALSO NOTED THAT IT WAS HIS UNDERSTANDING THAT JAPANESE WERE IN AGREEMENT WITH MARCONA ON FUTURE DEVELOPMENT AND SALES CONTRACTS, TO WHICH GARCIA BEDOYA RESPONDED THAT HE TOO UNDERSTOOD THIS TO BE THE CASE. AMBASSADOR ASKED HOW GOP PLANNED TO OPERATE THE COMPANY, TO WHICH GARCIA LIMITED OFFICIAL USE

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BEDOYA SAID HE DID NOT KNOW.

4. WE HAVE BEEN IN TOUCH WITH J.R. CARWIN OF MARCONA (EAST IS ABSENT IN COLOMBIA) WHO SAID THIS WAS FIRST SPECIFIC WORD HE HAD RECEIVED OF IMPENDING EXPROPRIATION. CARWIN SAID COMPANY HAD THOUGHT NEGOTIATIONS WERE BACK ON THE TRACK, ALTHOUGH HE HAD RECEIVED SOME HINTS THE DAY BEFORE THAT SITUATION HAD WORSENERD.

5. COMMENT: WE DO NOT KNOW WHAT INSPIRED THIS MOVE AT THIS TIME, ALTHOUGH WE HAVE BEEN INFORMED THAT DECISION WAS TAKEN AT CABINET MEETING JULY 22. WE CAN ONLY SPECULATE THAT THIS MAY BE ANOTHER IMPETUOUS MOVE BY PRESIDENT VELASCO WHO FELT COMPELLED TO HAVE AT LEAST ONE MAJOR REVOLUTIONARY ACCOMPLISHMENT TO ANNOUNCE FOR INDEPENDENCE DAY. THERE IS SOME SLIGHT ENCOURAGEMENT TO BE DRAWN FROM FACT THAT GOP IS APPARENTLY SUFFICIENTLY AWARE OF IMPLICATIONS OF EXPROPRIATION TO HAVE TAKEN PRECAUTION OF WARNING US IN ADVANCE. HOWEVER, ANTICIPATED EMPHASIS ON ALLEGED MARCONA DEBTS TO GOP RAISES SERIOUS DOUBTS AS TO INTENTIONS OF GOP IN FURTHER NEGOTIATIONS.
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